

Message Text

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45

ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 EURE-00 AGR-20 TAR-02 TRSE-00

STR-08 COME-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-15

RSR-01 /138 W

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P R 201610Z JUL 73

FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC PRIORITY 3487

INFO AMEMBASSY BONN

AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS UNN

USMISSION GENEVA

USMISSION OECD PARIS UNN

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E.O. 11652: N/A

TAGS: EAGR, LU

SUBJECT: LUX REACTION TO US AGRICULTURAL EXPORT CONTROLS

REF: STATE 135419, EC BRUSSELS 4086, AND 4042

1. GOL OFFICIALS ARE CONCERNED ABOUT EFFECT OF US
EXPORT CONTROL ON SOYBEAN PRICE MORE THAN ON AVAIL-
ABILITY. THEY BELIEVE THAT US METHOD OF INSTITUTING
CONTROLS ON EXPORTS OF SOYBEANS FAVOR SPECULATORS AS
OPPOSED TO SERIOUS PURCHASERS. BY SIMPLY ALLOWING FIX
PERCENTAGE OF EACH QUANTITY CONTRACTED FOR TO BE
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FILLED, THOSE BUYERS WHO ENTERED SPECULATIVE ORDERS,

BY HAVING LARGE SUPPLIES, WILL BE IN POSITION TO
HOARD SOYBEANS AND PREY UPON FEED COMPOUNDERS AND
FEED MIXERS FEARS OF SHORTAGES TO INCREASE PRICE.
GOL OFFICIALS BELIEVE THAT IT WOULD HAVE BEEN BETTER
FOR US TO HAVE ALLOWED FILLING OF ALL CONTRACTS MADE
BEFORE SPECULATIVE BUYING BEGAN.

2. OFFICIALS STRONGLY ENDORSE OBJECTIVES OF LARDINOIS'
VISIT TO THE US. THEY HOPE HE WILL BE ABLE TO RETURN
WITH DEFINITE ASSURANCES CONCERNING BOTH COMPLETE
FILLING OF ALL PRESENT CONTRACTS AS WELL AS FOR NON
RESTRICTED SALES OF NEXT YEAR'S CROP. THEY ARE BUOYED
BY US CROP ESTIMATES FOR A 22 PERCENT INCREASE IN NEXT
YEARS SOYBEANS CROP. THEY FEAR THAT ANY FURTHER RES-
TRICCTIONS ON SOYBEANS WILL LEAD TO RESTRICTIONS ON
OTHER COMMODITIES AND SERIOUSLY CURTAIL CHANCES FOR
SUCCESSFUL MTN. PRINCIPAL OF SANCTITY OF CONTRACTS
WILL BE SERIOUSLY DILUTED IF US DOES NOT REPEAT DOES NOT
ASSURE AT LEAST EVENTUAL FILLING OF NON SPECULATIVE
CONTRACTS.

3. OFFICIALS DO NOT BELIEVE THAT COUNCIL DECISION TO
CONSIDER IN OCTOBER COMMISSION PROPOSALS FOR
INCREASING AVAILABILITY OF VEGETABLE PROTEINS NECES-
SARILY MEANS THAT SOYBEAN CAP WILL BE ENACTED. GREAT
RELIANCE OF COMMUNITY ON US SOYBEANS AND POLITICAL
IMPACT OF SUCH A DECISION ON US-EC RELATIONS
BOTH MILITATE AGAINST ANY REPEAT AND RESTRICTIVE
ACTIONS. IT IS MORE LIKELY THAT COUNCIL WILL ENACT
MEASURES FOR RESEARCH INTO NEW VARIETIES OF VEGETABLE
PROTEINS, DIVERSIFYING SOURCES OF SUPPLY, UNDERTAKING
EXPERIMENTAL SOYBEAN CULTIVATION IN LIMITED AREAS OF
FRANCE AND ITALY AND INCREASING DENATURING PREMIUMS.
HOWEVER, ALL BETS ARE OFF IF RESTRICTIONS ARE IN
EFFECT IN OCTOBER ON NEW CROP. TARNOFF

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 20 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973LUXEMB00542
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: LUXEMBOURG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730720/aaaaaots.tel
Line Count: 96
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 STATE 135419, EC BRUSSELS 4086, A, ND 4042
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 13 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13-Sep-2001 by martinml>; APPROVED <01-Oct-2001 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LUX REACTION TO US AGRICULTURAL EXPORT CONTROLS
TAGS: EAGR, LU
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005